

**PASTURES REVOLVING FUND**

**FINANCIAL STATEMENTS**

**For the Year Ended March 31, 2011**





## Provincial Auditor Saskatchewan

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### INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Pastures Revolving Fund, which comprise the statement of financial position as at March 31, 2011, and the statement of operations and accumulated operating surplus and statement of changes in accumulated net expenditure for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### *Opinion*

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Pastures Revolving Fund as at March 31, 2011, and the results of its operations, changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Regina, Saskatchewan  
July 19, 2011

Bonnie Lysyk, MBA, CA  
Provincial Auditor



**PASTURES REVOLVING FUND**  
**STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS**  
**For the Year Ended March 31**

	<u>Budget 2011</u>	<u>Actual 2011</u>	<u>Actual 2010</u>
<b>REVENUES</b>			
Grazing	\$ 5,361,828	\$ 5,405,682	\$ 5,443,715
Petroleum and gas leases	1,894,281	2,067,050	1,830,499
Bull wintering	97,000	137,127	220,670
Timber sales	-	5,872	2,259
House rent	32,200	34,380	35,902
Seismic and easement	55,180	73,073	55,066
Hay sales	-	14,090	5,791
Gain on disposal of tangible capital assets	-	-	13,908
Other	59,790	16,983	23,748
	<u>7,500,279</u>	<u>7,754,257</u>	<u>7,631,558</u>
<b>EXPENSES</b>			
Salaries	3,798,665	3,551,930	3,585,893
Repairs and improvements	615,119	758,012	1,206,371
Taxes	944,089	923,613	908,673
Seed and forage	182,150	136,013	227,447
Rent of equipment, horses and other	294,550	286,945	286,888
Amortization	457,264	470,493	427,952
Travel	342,329	306,744	357,263
Small tools, equipment and supplies	350,123	301,259	295,946
Computer services	165,000	128,063	158,612
Utilities	125,000	138,863	129,662
Veterinary fees and supplies	63,150	68,314	52,072
Telephone and communications	77,555	78,818	75,684
Bad debt expense	-	529	7,256
Freight and postage	9,350	28,574	30,542
Advertising and printing	7,150	7,981	7,134
Loss on disposal of tangible capital assets	-	11,277	-
Other	68,785	58,911	60,564
	<u>7,500,279</u>	<u>7,256,339</u>	<u>7,817,959</u>
Net income (loss)	<u>\$ -</u>	497,918	(186,401)
Accumulated operating surplus, beginning of year		<u>410,301</u>	<u>596,702</u>
Accumulated operating surplus, end of year - to Statement 1		<u>\$ 908,219</u>	<u>\$ 410,301</u>

(See accompanying notes to the financial statements)



**PASTURES REVOLVING FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**March 31, 2011**

**1. Authority and Definition**

The Pastures Revolving Fund is continued under *The Pastures Act*. The Revolving Fund provides for the establishment, operation, management and maintenance of pastures, programs and services related to pasture and livestock management, and programs related to developing, protecting and promoting the environmental, social, and economic use of pastures.

**2. Significant Accounting Policies**

Pursuant to standards established by the Public Sector Accounting Board, the Revolving Fund is classified as an other government organization. These financial statements are prepared in accordance with Canadian public sector accounting standards. These financial statements do not present a Statement of Change in Net Debt or a Statement of Cash Flows because this information is readily apparent from the Statement of Changes in Accumulated Net Expenditure and Note 10.

The following policies are considered significant.

**a) Net Financing Requirements**

The net financing requirement is the cash flow from (to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes, and net cash flows from operations.

**b) Accumulated Net Expenditure (Recovery)**

Expenditures of the Revolving Fund are made directly out of the General Revenue Fund (GRF) and receipts are deposited directly into the GRF. The excess of the accumulated expenditures over accumulated receipts is the accumulated net expenditure balance or outstanding borrowing from the GRF.

The accumulated net expenditure (recovery) of the Revolving Fund includes the aggregate of net financing requirements for all fiscal years resulting from the Revolving Fund's net capital acquisitions, changes in working capital and net cash flow from operations.

**c) Inventories Held for Consumption**

Inventory is valued at the lower of cost and net realizable value. Inventory consists of repair parts, livestock feed, minerals and fencing supplies.





### 3. Authorized Financing

Subsection 16 (11) of *The Department of Agriculture, Food and Rural Revitalization Act* provided for a maximum accumulated net expenditure which may at any time be outstanding to be set by Order of the Lieutenant Governor in Council. Order in Council 1859/83 established a maximum accumulated net expenditure of \$10,000,000.

### 4. Accumulated Operating Surplus

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus (deficit). If the amount falls above or below the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus (deficit) for approval by Treasury Board. Plans may include, but are not limited to, payment of excess surpluses to, or requests for additional funding from, the General Revenue Fund. Subsequent to March 31, 2011, management will present a plan addressing the surplus for Treasury Board's consideration. The limit for the Pastures Revolving Fund is \$700,000.

### 5. Tangible Capital Assets (TCA)

	March 31, 2011						March 31, 2010
	Buildings	Land	Improvements	Office Equipment	Equipment & Vehicles	Total	Total
Opening Net Book Value of TCA	\$397,130	\$19,000	\$2,280,673	\$ -	\$1,401,742	\$4,098,545	\$3,827,606
Opening Cost	\$625,198	\$19,000	\$3,847,804	\$47,912	\$3,136,373	\$7,676,287	\$6,978,992
Additions During the Year	-	-	277,738	-	145,984	423,722	705,275
Disposals	-	-	(4,800)	(4,256)	(129,423)	(138,479)	(7,980)
Closing Cost	<u>\$625,198</u>	<u>\$19,000</u>	<u>\$4,120,742</u>	<u>\$43,656</u>	<u>\$3,152,934</u>	<u>\$7,961,530</u>	<u>\$7,676,287</u>
Opening Accumulated Amortization	\$228,068	\$ -	\$1,567,130	\$47,912	\$1,734,632	\$3,577,742	\$3,151,386
Annual Amortization	30,563	-	207,971	-	231,959	470,493	427,952
Disposals	-	-	(4,800)	(4,256)	(109,593)	(118,649)	(1,596)
Closing Accumulated Amortization	<u>\$258,631</u>	<u>\$ -</u>	<u>\$1,770,301</u>	<u>\$43,656</u>	<u>\$1,856,998</u>	<u>\$3,929,586</u>	<u>\$3,577,742</u>
Ending Net Book Value of TCA	<u>\$366,567</u>	<u>\$19,000</u>	<u>\$2,350,441</u>	<u>\$ -</u>	<u>\$1,295,936</u>	<u>\$4,031,944</u>	<u>\$4,098,545</u>

### 6. Budget

Treasury Board approves the Revolving Fund's budget annually. The budget amounts presented in these financial statements are based on the budget approved by Treasury Board.



## 7. Related Party Transactions

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as ministries, corporations, agencies, boards and commissions under common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at agreed upon rates and are settled on normal trade terms. The following table summarizes the routine related party transactions for the year:

	<u>2011</u>	<u>2010</u>
Financial statement category:		
Expenses	\$ 338,399	\$ 416,468
Purchase of tangible capital assets	29,619	259,004
Accounts payable	43,712	50,011
Accounts receivable	-	1,637

The Revolving Fund has received use of certain office space, use of Crown land and certain administration services from the Ministry of Agriculture without charge. In addition, the Revolving Fund pays Provincial Sales Tax to the Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of these purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

## 8. Amount Reported in Public Accounts

The net recovery (expenditure) of the Revolving Fund reported in the Public Accounts is the net income (loss) of the Revolving Fund adjusted for the following differences between the Revolving Fund and the General Revenue Fund:

	<u>2011</u>	<u>2010</u>
Net income (loss)	\$ 497,918	\$ (186,401)
Decrease in inventory balance recorded by the Revolving Fund	12,672	40,195
Decrease (increase) in tangible capital assets recorded by the Revolving Fund	66,600	(270,939)
Timing differences in recording revenues/expenses	<u>4,662</u>	<u>(205,449)</u>
Net recovery (expenditure) reported in the Public Accounts	<u>\$ 581,852</u>	<u>\$ (622,594)</u>

## 9. Credit Risk

The Revolving Fund is exposed to credit risk from potential non-payment of accounts receivable. The total of the receivables is \$274,814 at March 31, 2011 with an allowance for doubtful accounts of \$96,368. Some of the receivables were received shortly after year end reducing the credit risk.



**10. Net Change in Working Capital Items Related to Operations**

	<u>2011</u>	<u>2010</u>
Working capital changes:		
Decrease in accounts receivable	\$ (94,694)	\$ (32,456)
Decrease in inventories held for consumption	(12,672)	(40,195)
(Increase) decrease in accounts payable	(561)	198,597
Increase in unearned revenue	<u>(35,088)</u>	<u>(63,897)</u>
Total	<u>\$ (143,015)</u>	<u>\$ 62,049</u>